

4th Quarter Fiscal Year 1999 Highlights

During the 4th quarter of fiscal 1999 we continued to build on our team's solid progress in all facets of our cleanup mission. More importantly, as our third year at Hanford came to a close, we began to see realistic, exciting opportunities to accelerate our cleanup progress. This report highlights some of those initiatives as well.

This is good news for Hanford stakeholders. Accelerating cleanup means we can:

- reduce the risk and pay off the mortgage faster
- protect the river more expeditiously
- transition Hanford's central plateau for safe management of long-term waste operations more quickly
- leverage our valuable assets – people, facilities and technology – for lasting benefit to taxpayers everywhere with a renewed sense of urgency.

Working closely with new local leadership for the Department of Energy (DOE), we developed a new business model for achieving our mission. By streamlining our operations, we will redirect more resources to targeted cleanup activities and thereby free up tax dollars to accelerate work. We have put in place a very nimble, project-focused organization.



*Ron Hanson, President and
Chief Executive Officer,
Fluor Daniel Hanford, Inc.*

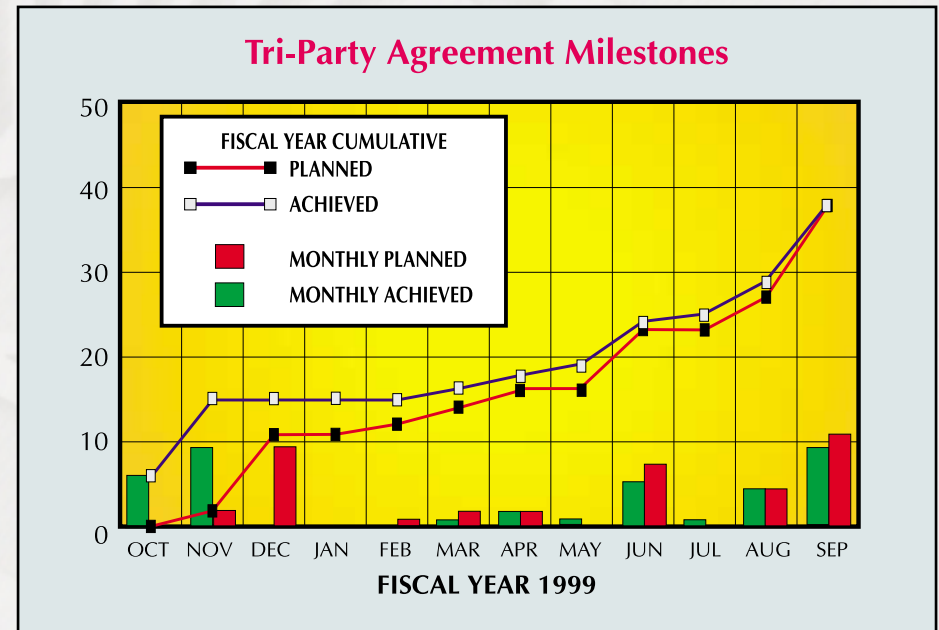
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We successfully unleashed greater synergies when we fully integrated our Spent Nuclear Fuel Project team a year ago. Effective October 1, 1999, we are implementing a similar integration strategy for four other major project organizations and three service-provider groups:

- Waste Management Projects, comprising most of the current Waste Management Project, plus the Waste Encapsulation and Storage Facility
- River Corridor Projects, including 300/400-Area projects and current 300-Area Waste Management projects
- Nuclear Material Stabilization Project, which primarily encompasses Plutonium Finishing Plant activities
- Fast Flux Test Facility
- Site Services, including safeguards and security, emergency preparedness, infrastructure and corrective action management
- Analytical Services, including the 222-S Lab and the Waste Sampling and Characterization Facility
- Training Services, including HAMMER.



4th Quarter Fiscal Year 1999 Highlights (continued)

Integrator activities, such as human resources, legal services, industrial relations and other business functions, will focus on policy and oversight as resources to the eight major organizational areas. The size of the integrator organization has been greatly reduced for a more efficient, project-focused business approach.

Also effective October 1, Lockheed Martin Hanford Corporation's sub-contract is withdrawn from the Project Hanford Management Contract, and assigned to the DOE's Office of River Protection (ORP). As you may know, Congress created the ORP earlier this year to oversee the River Protection Project (formerly Tank Waste Remediation System), and the privatized waste treatment plant under design by BNFL Inc.

Our new business model will help us excel in executing our work. We will place the best people in the positions where they can contribute most to the cleanup mission, regardless of their contractor affiliation. And we'll seek new expertise, where warranted, to further strengthen and enhance our performance.

On behalf of the entire Fluor Daniel Hanford team, I look forward to sharing with you more exciting progress in our next quarterly report.

Ron Hanson

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